

UNITED STATES DISTRICT COURT
FOR THE TERRITORY OF GUAM

JULIE BABAUTA SANTOS, individually,)
and on behalf of all those similarly situated,)

Petitioner,)

vs.)

FELIX A. CAMACHO, Governor of Guam,)
ART ILAGAN, Director of Department of)
Revenue and Taxation, LOURDES M.)
PEREZ, Director of Department of)
Administration; and GOVERNMENT OF)
GUAM,)

Respondents.)

DOCKET NO. CIV04-00006

ORDER APPROVING NOTICE
OF CLASS ACTION AND
PROPOSED SETTLEMENT

The Petitioner, individually and on behalf of all those similarly situated (hereinafter "EIC Class"), through her attorneys of record Phillips and Bordallo, P.C., by Michael F. Phillips, and the Governor of Guam, Director of Department of Revenue and Taxation, Director of Department of Administration, and the GOVERNMENT OF GUAM, (hereinafter collectively referred to as "Government of Guam"), through their attorneys of record, the Office of the Attorney General, by Attorney General Douglas B. Moylan, submit the attached Notice of Class Action and Proposed Settlement for Court approval and immediate publication.

APPROVED AS TO FORM AND CONTENT:

PHILLIPS & BORDALLO, P.C.
Attorneys for Petitioner

OFFICE OF THE ATTORNEY
GENERAL
Attorneys for Government of Guam

By: _____

Michael F. Phillips

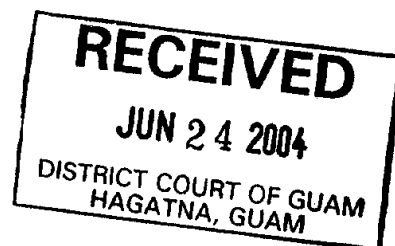
By: _____

Douglas B. Moylan

SO ORDERED, this 24th day of June 2004.

Joaquin V.E. Manibusan, Jr.

Magistrate Judge, District Court of Guam



UNITED STATES DISTRICT COURT
OF GUAM

DOCKET NO. CIV-04-00006
CIVIL Case No.

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and on behalf of all those similarly situated,

Petitioner,

vs.

FELIX A. CAMACHO, Governor of Guam,
ART ILAGAN, Director of Department of
Revenue and Taxation, LOURDES M.
PEREZ, Director of Department of
Administration; and GOVERNMENT OF
GUAM,

Respondents.

**NOTICE OF CLASS ACTION AND
PROPOSED SETTLEMENT**

To: All individuals who filed Guam income tax returns and qualified for earned income tax credits for any or all of tax years 1996, 1998, 1999, 2000, 2001, 2002 or 2003.

Summary of the Lawsuit. This lawsuit sought payment of refundable earned income tax credits for tax years 1996, 1998, 1999, 2000, 2001, 2002, and 2003 (the "applicable tax period"). This lawsuit has been certified by the Court as a class action. The counsel for the petitioner and the class is Michael F. Phillips of Phillips & Bordallo, P.C. The counsel for the respondents is Douglas B. Moylan, Attorney General of Guam.

Definition of the Class. You are a member of the class if you (a) filed Guam income tax returns and (b) were and are entitled to be paid refundable earned income tax credits under the Guam Territorial Income Tax and the Earned Income Program for any or all of the following tax years: 1996, 1998, 1999, 2000, 2001, 2002 and 2003.

Proposed Settlement. The petitioner and the Government of Guam reached a Settlement of this lawsuit. The Court preliminarily approved the Settlement. The Settlement will provide payments, before Court-ordered deductions, to you of approximately fifty percent (50%) or more of the estimated refundable earned income tax credits you may have claimed for the applicable tax period. The Settlement Amount is **\$60 Million Dollars**. The Settlement Amount will be deposited into an EIC Settlement Fund as follows: At least \$3 Million Dollars by July 17, 2004; at least \$17 Million Dollars over eleven months following the first installment; and at least Five Million Dollars on or before June 30th of each subsequent year, beginning on June 30, 2006 and ending June 30, 2013. The Settlement also provides that the Government of Guam will fully implement the earned income tax program for tax years 2004 and beyond. The Court awarded attorneys' fees and court costs to petitioner and Class Counsel in the amount of ten percent (10%) of the Settlement Amount. This Settlement will release the Government of Guam from all further liability for refundable earned income tax credits to Class Members for the applicable tax period.

Procedures Concerning the Settlement. On **September 9, 2004**, at **9:30a.m.**, the Court will hold a hearing at the District Court of Guam before Magistrate Judge Joaquin V.E. Manibusan, Jr. to determine whether the Settlement is fair and reasonable and should be given Final Approval.

Objections to the Settlement and Requests for Exclusion. If you believe the Court should not approve the Settlement, you may deliver or mail to the Court written objections to the Settlement no later than **August 9, 2004**, together with evidence of qualification for earned income tax credits for any tax year within the applicable tax period. You may also appear at the hearing on Final Approval, provided, however, that no Class member shall be heard unless he or she complies with the requirements to file written objections. If you do **NOT** want to participate in the Settlement Amount of \$60 Million Dollars, or if you want to pursue separate claims, you may request exclusion from the class by delivering to the Court a written request to opt out of the class by **August 9, 2004**. All objections and requests for exclusion shall be personally signed by the Class member and delivered to EIC Settlement, c/o Clerk of Court, 4th Floor, U.S. Courthouse, 520 West Soledad Avenue, Hagatna, Guam 96910.

Participation in Settlement. If you want to participate in the Settlement Amount of \$60 Million Dollars, you do not have to take any action at this time. If the Settlement becomes final, you will be mailed a notice informing you of the information that must be provided to the Department of Revenue and Taxation and all other procedures necessary to obtain your portion of the Settlement Amount. Those who do NOT request exclusion will be bound by the judgment in this Class Action and by the Settlement if it becomes final. Any person who provides false information in an attempt to obtain a portion of the settlement will be prosecuted to the fullest extent of the law.

Further Information. For further details of this Settlement, you may request further information from the Department of Revenue and Taxation at Bldg. 13-1, Mariner Avenue, Tiyan, Guam, 96913, or visit the Attorney General of Guam's website at www.guamattorneygeneral.com

PLEASE FOLLOW THE PROCEDURES SET OUT ABOVE. DO NOT CONTACT THE COURT FOR QUESTIONS ABOUT THE SETTLEMENT.

SO ORDERED, this ___ day of June 2004.

JOAQUIN V.E. MANIBUSAN, Jr.
Magistrate Judge, District Court of Guam